

Message Text

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TO USMISSION EC BRUSSELS PRIORITY

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E.O. 11652: N/A

TAGS: TECH, EEC

SUBJECT: URANIUM ENRICHMENT CONTRACTS

REF: (A) EC BRUSSELS 7163

(B) EC BRUSSELS 7455

(C) EC BRUSSELS 7552

(D) HOYLE - RUBIN TELEX, SEPT. 27

1. IN LIGHT SIMONET LETTER TO CHAIRMAN RAY, RAY SAW OBOUSSIER OCTOBER 2. ON PREVIOUS DAY OBOUSSIER HELD FULL DAY SESSION WITH AEC STAFF AT WHICH QUESTIONS RAISED AT SUPPLY AGENCY MEETING WITH UTILITIES ON SEPTEMBER 17 (REF A) WERE EXPLORED IN SOME DETAIL. OBOUSSIER ALSO MET WITH RPE (PREEG) ON THE 2ND.

2. OBOUSSIER'S PRINCIPAL CONCERN WAS TO TRY TO OBTAIN MAXIMUM MANEUVERING ROOM FOR UTILITIES OFFERED CONDITIONAL CONTRACTS. EITHER AN EXTENSION OF THE SIGNING DEADLINE OF OCTOBER 31 OR THE RIGHT TO CANCEL CONTRACTS WITHOUT PENALTY PRIOR TO JUNE 30, 1975 OR PRIOR TO THE DATE ON WHICH A GENERIC FINDING ON PU RECYCLE IS MADE, WHICHEVER UNCLASSIFIED

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COMES FIRST, WOULD ACHIEVE THIS. THIS WOULD ALLOW UTILI-

TIES TIME TO EXPLORE POSSIBILITY OF NEGOTIATING TRANSFERS OF ENRICHMENT SERVICE COMMITMENTS HELD BY U.S. DOMESTIC UTILITIES WHO ARE DEFERRING -- AND IN SOME CASES CANCELLING -- REACTOR PROJECTS.

3. AEC EXPLAINED TO OBOUSSIER THAT CONTRACT CANCELLATION PROVISIONS WERE NOT IN FACT UNBALANCED, SINCE AEC MAY CANCEL ONLY IF GENERIC FINDING NOT MADE BY JUNE 30, 1975. ASIDE FROM THIS CONTINGENCY, CONTRACT BINDS AEC TO SUPPLY FUEL. IN FACT, EVEN IF CONTRACT IS CANCELLED, AEC WOULD STILL BE COMMITTED TO MEET EARLY FUEL NEEDS (FROM PRE-PRODUCTION STOCK) OF CUSTOMERS WHO SUBSEQUENTLY CONTRACTED WITH U.S. PRIVATE SUPPLIER.

4. ON THE OTHER HAND, AN EXTENSION OF THE DEADLINE WOULD BE REASONABLE. BECAUSE OF THE MANY RAMIFICATIONS SURROUNDING THE POSSIBILITY OF TRANSFERS OF ENRICHMENT COMMITMENTS HELD BY DOMESTIC UTILITIES TO UTILITIES ABROAD, THE SITUATION WILL REQUIRE COMMISSION REVIEW. SINCE FINAL DECISION UNLIKELY TO BE AVAILABLE BEFORE END OCTOBER, OBOUSSIER WAS INFORMED THAT HE COULD ANTICIPATE AN EXTENSION OF SIX TO EIGHT WEEKS, BUT THAT FORMAL DECISION ON THE SPECIFIC DEADLINE DATE COULD NOT BE MADE UNTIL COMMISSION REVIEW COMPLETED. OBOUSSIER WAS TOLD AEC HAD NO OBJECTIONS IN THE INTERIM TO SUPPLY AGENCY AND UTILITIES CONTINUING TO EXPLORE POSSIBLE TRANSFERS.

5. IN GENERAL, BOTH STATE AND AEC EMPHASIZED TO OBOUSSIER CREDIBILITY OF CONTRACTS, ADVANTAGE TO ALL CONCERNED OF EARLY COMPLETION OF AEC CONTRACTING ACTIVITY, AND ASSURANCE THAT EUROPEAN CONCERNS ARE BEING TAKEN INTO ACCOUNT. POINTS CONTAINED IN PARAS 1 AND 2 OF REF D WERE PRESENTED IN THIS LIGHT.

6. OTHER QUESTIONS RAISED AT SUPPLY AGENCY MEETING WERE COVERED WITH OBOUSSIER DRAWING ON REF D (PARAS. 3-9), WHICH IS NOW CLEARED FOR YOUR USE WITH EURATOM. KISSINGER

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